

STATE OF ILLINOIS EXECUTIVE OFFICE OF THE GOVERNOR GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET SPRINGFIELD 62706

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FISCAL YEAR 2018 FOURTH QUARTER FINANCIAL REVIEW

A New Definition Of General Funds

Pursuant to Public Act 100-0023, beginning with fiscal year 2018 (FY18), the number of funds that comprise the state's General Funds was increased from four to seven. General Funds now includes Fund for the Advancement of Education, Commitment to Human Services Fund and Budget Stabilization Fund along with the four original funds: General Revenue Fund, General Revenue-Common School Special Account Fund, Education Assistance Fund and Common School Fund.

The addition of these new funds makes it difficult to compare the state's FY18 revenues and expenditures to the actual results of FY17 when these new funds were not included in the General Funds definition. To address this issue, this report includes two separate sets of numbers for FY17: FY17 Actual and FY17 Revised. FY17 Actual represents the definition of General Funds that was law at that time. FY17 Revised is a restatement of the values with the three new General Funds included. In the discussion of year-over-year changes in this report, we will be referring to the change from FY17 Revised to FY18.

CHANGES FOR FISCAL YEAR 2018: INCOME TAX RATES AND LOCAL GOVERNMENT FUND DEPOSITS

In July 2017, Public Act 100-0022, which increased income tax rates as well as made many other changes to state taxes, became law. Effective July 1, 2017, the Individual Income Tax and Corporate Income Tax rates increased to 4.95% and 7.0%, respectively.

Prior to FY18, state income and sales tax revenues shared with local governments and transit districts were first deposited into the General Revenue Fund (GRF) and then transferred to the Local Government Distributive Fund (LGDF), Public Transportation Fund (PTF), and Downstate Public Transportation Fund (DPTF) for distribution. Public Act 100-0023, effective July 1, 2017, now directs the Department of Revenue to deposit these revenues into LGDF, PTF, and DPTF at the time they are collected. Local governments are expected to receive their payments from the State more quickly under this structure. While this change decreases net receipts into the General Funds, it will also decrease transfers out, effectively making this a neutral change over the long-term.

GENERAL FUNDS OVERVIEW

						SH FLOW to-Date Revi	ew				
		Tour	II Qu	(\$ in mi		to Dute Revi	CW				
]	Fourt	th Quarter	r				Yea	r-to-date	
		FY17 Actual		FY17 evised*		FY18 Actual		FY17 Actual	R	FY17 Revised*	FY18 Actual
Beginning Backlog at Comptroller	\$	(7,722)			\$	(5,797)	\$	(3,444)			\$ (8,191)
Beginning Cash Balance	\$	433	\$	703	\$	414	\$	246	\$	967	\$ 1,368
Revenues											
Individual Income Tax	\$	3,679	\$	3,962	\$	5,379	\$	12,737	\$	13,661	\$ 17,725
Corporate Income Tax		677		680		882		1,328		1,332	2,017
Sales Tax		2,033		2,033		1,941		8,043		8,043	7,810
Other Sources/Transfers In		1,380		1,380		1,597		4,814		4,814	 8,661
State Source Revenues	\$	7,770	\$	8,055	\$	9,798	\$	26,922	\$	27,850	\$ 36,213
Federal Sources		817		817		859		2,483		2,483	5,238
Total Revenues	\$	8,587	\$	8,872	\$	10,656	\$	29,405	\$	30,333	\$ 41,451
Expenditures											
Current Year Vouchers	\$	7,187	\$	7,451	\$	8,379	\$	28,098	\$	29,471	\$ 33,505
Prior Year Vouchers		0		0		0		590		590	 1,595
Subtotal, Vouchers Presented	\$	7,187	\$	7,451	\$	8,379	\$	28,688	\$	30,060	\$ 35,100
Posted Transfers Out		633		633		179		2,426		2,426	710
Transfer to GO Bond Debt Service Fund		595		595		775		2,209		2,209	2,899
Prior Year Adjustments		(4)		(4)		(5)		(3)		(3)	 (28)
Total Expenditures	\$	8,411	\$	8,675	\$	9,328	\$	33,320	\$	34,693	\$ 38,682
End of Quarter Cash Balance	\$	1,077	\$	1,368	\$	125	\$	1,077	\$	1,368	\$ 125
End of Quarter Backlog at Comptrolle	r \$	(8,191)			\$	(4,180)	\$	(8,191)			\$ (4,180)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov.

General Funds' fourth quarter revenues totaled \$10,656 million, an increase of \$1,784 million, or 20.1%, over the FY17 Revised fourth quarter level. The primary driver for this increase was due to the increased income tax rates as mentioned in the previous section.

FY18 fourth quarter General Funds' expenditures totaled \$9,328 million, an increase of \$653 million, or 7.5%, above the FY17 Revised fourth quarter level.

^{*}FY17 Revised backlog numbers that would reflect the new definition of the General Funds are not available for FY17, so they are not included here.

GENERAL FUNDS REVENUES SUMMARY

				GE	NEI	RAL FU	IND	S REV	ENUES									
			Fo	urth Q	uai	rter an	d Y	ear-to-	Date Rev	iev	N							
						(\$ i	n milli	ions)										
		1	Count	h Quarte			•	Change: FY1				Voo	r-to-Date				Change: FY to FY18	
				•								rea						
		FY17 Actual		FY17 Revised		FY18 Actual		Dollar Change	Percent Change		FY17 Actual		FY17 Revised		FY18 Actual		Dollar Change	Percent Change
Gross Individual Income Tax Income Tax Refund Fund	\$	4,462 (500)	\$	4,462 (500)	\$	6,308 (618)	\$	1,846 (118)	41.4% 23.7%	\$	15,384 (1,723)	\$	15,384 (1,723)	\$	20,784 (2,037)	\$	5,400 (314)	35· 18.
Local Government Distributive Fund Deposit		0		0		(310)		(310)	0.0%		0		0		(1,023)		(1,023)	0.
Net Individual Income Tax	\$	3,962	\$	3,962	\$	5,379	\$	1,417	35.8%	\$	13,661	\$	13,661	\$	17,725	\$	4,064	29.8
Non-General Funds Deposits		(283)									(924)							
Net Individual Income Tax	\$	3,679								\$	12,737							
Gross Corporate Income	\$	822	\$	822	\$	1,139	\$	317	38.6%	\$	1,610	\$	1,610	\$	2,607	\$	996	61.9
Income Tax Refund Fund		(142)		(142)		(199)		(58)	40.6%		(278)		(278)		(457)		(178)	64.
Local Government Distributive Fund Deposit Net Corporate Income Tax	-\$	68o	\$	68o	\$	(58) 882	\$	(58) 202	0.0% 29.7%	\$	0	-\$	0	-\$	(133)		(133) 685	0.0
Non-General Funds Deposits	Þ	(3)	Ф	080	Ф	002	Þ	202	29.7%	Þ	1,332 (4)	Þ	1,332	Þ	2,017	Ф	005	51
Net Corporate Income Tax	\$	677								\$	1,328							
Gross Sales Tax	\$	2,033	\$	2,033	\$	2,101	\$	68	3.3%	\$	8,043	\$	8,043	\$	8,256	\$	213	2.
Downstate Public Trans/Public Trans Deposits		0		0		(161)		(161)	0.0%		0		0		(446)		(446)	0.
Net Sales Tax	\$	2,033	\$	2,033	\$	1,941	\$	(93)	(4.6%)	\$	8,043	\$	8,043	\$	7,810	\$	(233)	(2.9
Public Utility		218		218		219		1	0.7%		884		884		896		12	1.
Cigarette		97		97		92		(5)	(5.2%)		353		353		344		(9)	(2.5
Inheritance		58		58		112		54	93.2%		261		261		358		97	37-
Liquor		41		41		43		2	4.0%		171		171		172		1	0.
Insurance Corporate Franchise		135		135		160		25 1	18.5% 2.0%		391 207		391		432 207		41 0	10. 0.
Investment Income		45 11		45 11		46 26		16	146.4%		36		207 36		79		43	120.
Cook County IGT		94		94		94		(0)	(0.3%)		244		244		79 244		(0)	(0.1
Other		269		269		282		13	4.8%		725		725		719		(6)	(0.9
TOTAL STATE REVENUES	\$	7,357	\$	7,643	\$	9,275	\$	1,632	21.4%	\$	25,380	\$	26,308	\$		\$	4,695	17.8
Federal Revenues	\$	817	\$	817	\$	859	\$	42	5.1%	\$	2,483	\$	2,483	\$	5,238	\$	2,755	110.9
Γransfers In	\$	413	\$	413	\$	523	\$	110	26.7%	\$	1,542	\$	1,542	\$	5,210	\$	3,668	237.
Lottery		209		209		213		4	1.7%		720		720		719		(1)	(0.2
Riverboat Gaming		42		42		41		(2)	(3.7%)		270		270		272		2	0.
Fund Reallocations		0		0		18		18	0.0%		0		0		269		269	0.0
Interfund Borrowing Backlog Bond Proceeds		0		0		17		17	0.0%		0		0		533		533	0.0
Other		0 162		0 162		0 234		o 73	0.0% 45.0%		0 552		0 552		2,500 917		2,500 365	o.e 66.
other		102		102		234		/3	45.0%		332		33 -		91/		305	00.
COTAL RECEIPTS	\$	8,587	\$	8,872	\$	10,656	\$	1,784	20.1%	\$	29,405	\$	30,333	\$	41,451	\$	11,118	36.

Income Taxes: FY18 year-to-date (YTD) Individual Income Tax net receipts increased by \$4,064 million, or 29.8% from the FY17 Revised YTD level due to the increased rate. \$1,023 million of individual income taxes were directly deposited into the Local Government Distributive Fund for FY18.

FY18 YTD Corporate Income Tax (CIT) net receipts increased by \$685 million, or 51.4%, from the FY17 Revised YTD level. This large increase is attributable to the rate increase from 5.25% to 7.0%.

Sales Taxes: FY18 YTD Sales Tax net receipts decreased by \$233 million, or 2.9%, from the FY17 YTD level. This decrease is attributable to the deposit of sales tax revenues directly into LGDF, PTF, and DPTF as mentioned in the previous section.

Public Utilities: FY18 YTD Public Utility receipts increased by \$12 million, or 1.4%, from the FY17 YTD level.

Inheritance: FY18 YTD Inheritance receipts increased by \$ 97 million, or 37.2%, from the FY17 YTD level.

Federal Revenues: FY18 YTD Federal Revenues increased by \$2,755 million, or 110.9%, compared to the FY17 YTD level. This is due to increases in released vouchers eligible for federal reimbursements to the pay-down of the Medicaid backlog. An additional \$1,206 million in federal revenues were receipted in FY18 due to the paydown of prior year Medicaid liabilities. Base federal revenues for FY18 were \$4,032 million.

Transfers In: FY18 YTD Transfers In increased by \$3,668 million, or 237.9%, compared to the FY17 YTD level. This is attributable to the proceeds from the November bond sale as well as the fund reallocations and interfund borrowing authorized by Public Act 100-0023. Through the fourth quarter, \$269 million has been transferred to General Revenue Fund from fund reallocations and \$533 million from interfund borrowing. \$440 million of prior year Capital Projects transfers to General Revenue Fund have also been cleared through the fourth quarter.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY18. Total State Revenues (not including Transfers In) were \$230 million, or 0.7%, above the budgeted level. Federal revenues were \$614 million, or 13.3%, above the budgeted level.

		RAL FUNI					
Year-to	יעב-ע			ersus Ac	tuai		
		(\$ in mil	,	7 . O V/IID		S . 11	D
		Y18 YTD		Y18 YTD		Dollar	Percent
Constant di Charles and The		udgeted*		Actual		hange	Change
Gross Individual Income Tax	\$	20,649	\$	20,784	\$	135	0.7%
Income Tax Refund Fund		(2,024)		(2,037)		(13)	0.6%
Local Government Distributive Fund Deposit		(1,016)		(1,023)		(7)	0.6%
Net Individual Income Tax	\$	17,610	\$	17,725	\$	115	0.7%
Gross Corporate Income	\$	2,434	\$	2,607	\$	173	7.1%
Income Tax Refund Fund		(426)		(457)		(31)	7.2%
Local Government Distributive Fund Deposit		(124)		(133)		(9)	7.1%
Net Corporate Income Tax	\$	1,884	\$	2,017	\$	133	7.1%
Gross Sales Tax	\$	8,399	\$	8,256	\$	(143)	(1.7%)
Downstate Public Trans/Public Trans Deposits		(448)	•	(446)	•	2	(0.5%)
Net Sales Tax	\$	7,951	\$	7,810	\$	(141)	(1.8%)
Public Utility		890		896		6	0.7%
Cigarette		351		344		(7)	(1.9%)
Inheritance		275		358		83	30.2%
Liquor		172		172		o	0.2%
Insurance		395		432		37	9.2%
Corporate Franchise		205		207		2	1.1%
Investment Income		46		79		33	72.2%
Cook County IGT		244		244		0	0.0%
Other		750		719		(31)	(4.2%)
TOTAL STATE REVENUES	\$	30,773	\$	31,003	\$	230	0.7%
Federal Revenues	\$	4,624	\$	5,238	\$	614	13.3%
Transfers In	\$	5,093	\$	5,210	\$	117	2.3%
Lottery		719		719		(o)	(0.0%)
Gaming/Gaming Taxes		270		272		2	0.7%
Fund Reallocations		275		269		(6)	0.0%
Interfund Borrowing		600		533		(67)	0.0%
Backlog Bond Proceeds		2,500		2,500		О	0.0%
Other		729		917		188	25.8%
TOTAL RECEIPTS	\$	40,490	\$	41,451	\$	961	2.4%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

Income Taxes: Individual Income Tax net receipts through the fourth quarter were \$115 million, or 0.7%, higher than the budgeted levels. Corporate Income Tax net receipts through the fourth quarter were \$133 million, or 7.1%, higher than budgeted levels.

Sales Taxes: Sales Tax net receipts through the fourth quarter were \$141 million, or 1.8%, lower than budgeted levels.

Public Utilities: Public Utility receipts through the fourth quarter were \$6 million, or 0.7%, higher than budgeted levels.

Other Sources: Other Sources through the fourth quarter were \$31 million, or 4.2%, below budgeted levels.

Transfers In: Transfers In through the fourth quarter were \$117 million, or 2.3%, higher than budgeted levels, due primarily to \$440 million Capital Projects Fund Previous Year transfers clearing.

^{*}Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits. Estimates were compiled on February 2, 2018.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY17 and FY18 fourth quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the fourth quarter of FY18 totaled \$8,379 million, an increase of \$928 million, or 12.5%, from the FY17 Revised level.

						EXPEND											
			Four	rth Quarte		Year-to-Da	ite Re	view									
					(\$ in m	illions)	ı										
		Fourth Quarter							Year-to-Date								
Agency		7 Actual ending	,	Revised ending		8 Actual ending		17 Actual pending ¹		Revised ending ¹		8 Actual ending					
Constitutional Officers ²	\$	75	\$	76	\$	92	\$	318	\$	327	\$	321					
DHFS	,	2,330	,	2,330	T	1,789	,	6,563	,	6,581	,	7,113					
ISBE		1,701		1,948		2,534		7,106		7,354		8,090					
DHS		690		694		817		2,946		3,247		3,240					
Higher Education		6		6		149		717		917		1,694					
SERS		327		327		281		1,309		1,309		1,319					
TRS		1,016		1,016		879		4,106		4,106		4,210					
SURS		170		170		202		1,506		1,506		1,418					
Corrections		250		261		427		994		1,143		1,385					
CMS		1		1		435		174		217		1,895					
DCFS		170		170		194		638		638		700					
Aging		140		141		218		494		841		813					
ISP		59		59		77		214		216		239					
Revenue		18		18		12		77		82		49					
DPH		15		16		31		65		94		73					
DNR		9		9		12		35		41		36					
DCEO		2		2		3		7		8		10					
All Others		209		210		228		828		842		901					
Agency Totals	\$	7,187	\$	7,451	\$	8,379	\$	28,098	\$	29,471	\$	33,505					

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

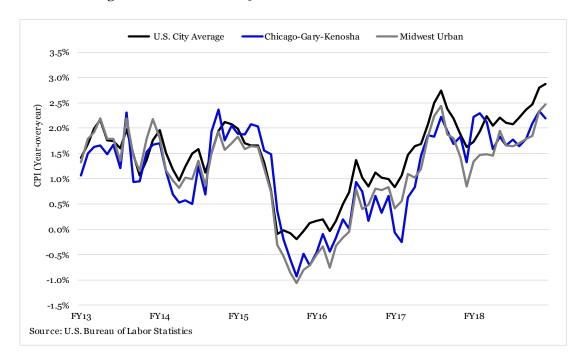
Note: Lapse period spending is not included in this table.

¹ Represents YTD figures for the same time period last fiscal year.

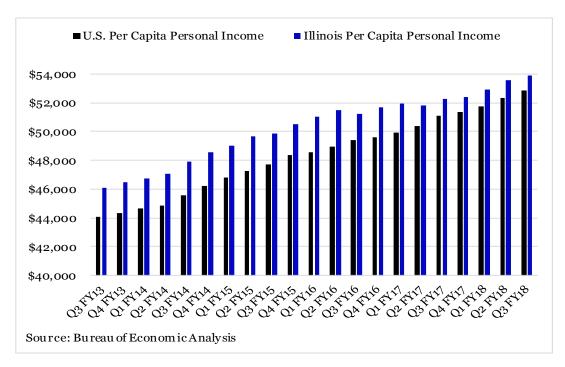
²Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from July FY13 to June FY18. In June FY18, the CPI for U.S. city average increased 2.9% year-over-year. The CPI for Chicago metropolitan area increased 2.2% and the CPI for Midwest region also increased 2.5%.



The graph below compares the per capita personal income between U.S. and Illinois from the third quarter of FY13 to the third quarter of FY18. The U.S. per capita personal income increased \$536 or 1.0% from \$52,318 in the second quarter of FY18 to \$52,895 in the third quarter of FY18. Year-over-year, U.S. per capita personal income increased \$1,942 or 3.9%. In Illinois, per capita personal income increased \$323 or 0.6% from \$53,576 in the second quarter of FY18 to \$53,899 in the third quarter of FY18. Year-over-year, Illinois per capita personal income increased \$1,628 or 3.1%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in June of FY18 was 4%, down from 4.3% during the same period last fiscal year. Illinois' unemployment rate of 4.3% in June of FY18 reflected a decrease of 0.6% from the state's unemployment rate of 4.9% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased 58,300 year-over-year in June, led by increases in the Government, Leisure and Hospitality and Education and Health Services.

EMPLOYMENT HIGHLIGHTS State and National Review					
EMPLOYMENT STATISTICS	April FY17	April FY18	Change		
Total Nonfarm Employment, Illinois	6,049,400	6,100,300	50,900		
Unemployment Rate, Illinois	$4.9\%^{2}$	4.4%	(0.5)		
Unemployment Rate, United States	4.4%	3.9%	(0.5)		
Labor Force Participation Rate, Illinois	64.4%	64.6%	0.2		
Labor Force Participation Rate, United States	62.9%	62.8%	(0.1)		
EMPLOYMENT STATISTICS	May FY17	May FY18	<u>Change</u>		
Total Nonfarm Employment, Illinois	6,048,700	6,108,000	59,300		
Unemployment Rate, Illinois	$4.9\%^{2}$	4.3%	(0.6)		
Unemployment Rate, United States	4.3%	3.8%	(0.5)		
Labor Force Participation Rate, Illinois	64.4%	64.5%	0.1		
Labor Force Participation Rate, United States	62.7%	62.7%	0.0		
EMPLOYMENT STATISTICS	June FY17	June FY18	<u>Change</u>		
Total Nonfarm Employment, Illinois	6,046,900	6,126,100	79,200		
Unemployment Rate, Illinois	$4.9\%^{2}$	$4.3\%^{^{1}}$	(0.6)		
Unemployment Rate, United States	4.3%	4.0%	(0.3)		
Labor Force Participation Rate, Illinois	64.4%	64.5%	0.1		
Labor Force Participation Rate, United States	62.8%	62.9%	0.1		

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

According to Illinois REALTORS, median home prices in Illinois rose 4.5 percent in June year-over-year, and statewide home sales decreased 6.2 percent for the same period. The time it took to sell a home in June averaged 44 days, down from 49 days year-over-year. In June, available housing inventory totaled 58,133 homes for sale, a 6.7 percent decline from June 2017 when there were 62,309 homes on the market.

¹Preliminary figures.

²Reflects revised population controls, model reestimation, and new seasonal adjustment.

FUND REALLOCATIONS

			FY18 FOURTH QUARTER				
			(\$ in thous ands)				
			Fund of Origin			Receiving F	und
Date of	Reallocation			End Of Day			End Of Day
Transaction	Amount	Fund	Fund Name	Balance	Fund	Fund Name	Balance
5/25/2018	5,000.0	0047	Fire Prevention Fund	24,724.1	0001	General Revenue	41,697.0
5/25/2018	1,000.0	0199	Illinois Fisheries Management Fund	1,142.7	0001	General Revenue	41,697.0
5/25/2018	2,000.0	0209	State Police Firearm Services Fund	4,355.6	0001	General Revenue	41,697.0
5/25/2018	1,537.5	0290	Fertilizer Control Fund	724.1	0001	General Revenue	41,697.0
5/25/2018	180.0	0291	Regulatory Fund	142.7	0001	General Revenue	41,697.0
5/25/2018	50.0	0336	Environmental Laboratory Certification Fund	176.7	0001	General Revenue	41,697.0
5/25/2018	500.0	0344	Care Provider Fund for Persons with a Developmental Disability	2,424.6	0001	General Revenue	41,697.0
5/25/2018	2,550.0	0369	Feed Control Fund	435.9	0001	General Revenue	41,697.0
5/25/2018	147.0	0387	Small Business Environmental Assistance Fund	136.5	0001	General Revenue	41,697.0
5/25/2018	975.0	0422	Alternate Fuels Fund	830.9	0001	General Revenue	41,697.0
5/25/2018	400.0	0440	Agricultural Master Fund	517.2	0001	General Revenue	41,697.0
5/25/2018	1.6	0474	Human Services Priority Capital Program Fund	1.6	0001	General Revenue	41,697.0
5/25/2018	447.2	0547	Conservation Police Operations Assistance Fund	456.2	0001	General Revenue	41,697.0
5/25/2018	14.5	0555	Good Samaritan Energy Trust Fund	14.5	0001	General Revenue	41,697.0
5/25/2018	375.0	0569	School Technology Revolving Loan Fund	608.8	0001	General Revenue	41,697.0
5/25/2018	205.0	0603	Port Development Revolving Loan Fund	204.2	0001	General Revenue	41,697.0
5/25/2018	40.0	0638	Illinois Adoption Registry and Medical Information Exchange Fund	39.1	0001	General Revenue	41,697.0
5/25/2018	150.0	0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	176.1	0001	General Revenue	41,697.0
5/25/2018	336.8	0770	Digital Divide Elimination Fund	469.9	0001	General Revenue	41,697.0
5/25/2018	325.0	0942	Low-Level Radioactive Waste Facility Development and Operation Fund	464.8	0001	General Revenue	41,697.0
6/28/2018	1,200.0	0209	State Police Firearm Services Fund	2,855.9	0001	General Revenue	59,950.9
6/28/2018	325.0	0422	Alternate Fuels Fund	879.0	0001	General Revenue	59,950.9
6/28/2018	375.0	0569	School Technology Revolving Loan Fund	486.0	0001	General Revenue	59,950.9
Total	\$18,134.6						

Source: Illinois Office of the Comptroller

Year 2018 Report on Balanced Budget and Fiscal Notes							
100th General Assembly Spring 2018							
Balanced Budget Notes							
Description							
Generic Drug Pricing Fairness							
Human Rights-Employer Definition							
Broadband Procure and Disclosure							
IMDMA-Equal Parenting Time							
Utilities-Sourcing Agreements							
Health Care Violence Prevention Act							
Drone Use-Large Event							
School Code-LGBT-Unit of Instruction							
CCP Medicaid Enrollment Oversight							
Ins Code-Cont Ed Advisory Council							
Court of Claims Award Limits							
Criminal Law							
Education Labor Act -Employee Defn							
Rental Car-Damage Waiver-Void							
MH and DD Code							
100th General Assembly Spring 2018							
Fiscal Notes							
Description							
GOMB-Youth Budget Commission							